CF Factor Intelligence

Case Study

June 2025

Case Study 1: Risk Attribution Using Factor Intelligence

From Black Box to Factor Clarity: How a Multi-Asset Manager Used Factor Intelligence to Decompose Crypto Portfolio Risk

Client Profile. The client is a global multi-asset investment manager. Their investment strategy spans equities, fixed income, real assets, and increasingly digital assets. With institutional-grade oversight and risk management standards, the asset manager needed enhanced transparency on risk contributors across all allocations.

Challenge. As crypto entered their strategic allocation (3–5%), standard risk models failed to capture meaningful return drivers. Crypto assets appeared as either "idiosyncratic volatility" or "macro beta" with no structured attribution. CIOs and risk officers needed a way to explain and control this exposure with the same clarity as equities or credit.

Solution. The team sourced CF Benchmarks' CF Factor Intelligence dataset:

- **Factor Scores** – metrics such s protocol fee growth, daily active protocol users and token free-float supply data.
- **Factor Returns** – long/short portfolio returns formed by sorting assets by factor scores. These are the traditional Fama-French-style Factors, including Market, DownsideBeta, Value, Growth, Size and Liquidity.

Using this data, the asset manager built a regression model to attribute returns and volatility of their crypto allocations to the systematic Factors sourced from CF Benchmarks, specifically by using the Factor Returns as the explanatory variables in the model. The asset manager's leveraged CF Benchmarks' research paper "A Factor Model For Digital Assets" [2024] to inform on model choice and parameterization.

Results. Over 50% of the portfolio's return variance was explained by Growth, Momentum, and Market factors. They discovered a heavy tilt toward Growth, and leveraged this intel to rebalance the digital asset allocation toward Value and Size. Reporting was aligned with institutional dashboards across asset classes.

Key Takeaways. CF Factor Intelligence made crypto exposure explainable. It enables multi-asset CIOs to evaluate crypto like any other risk sleeve by factor exposure, not token name—and supported more robust capital allocation decisions.

Case Study 2: Signal Generation Using Factor Intelligence

Factor-Timed Alpha: How a Quant Hedge Fund Used CF Benchmarks' Factor Intelligence to Build Profitable, Explainable Signals

Client Profile. A systematic hedge fund running crypto-specific strategies across spot and perpetual futures. The team blends quantitative finance with crypto-native infrastructure, with alpha driven by mid-frequency signal models.

Challenge. The fund's existing signal stack was built on price trends, on-chain data, and flow metrics. But returns decayed quickly and attribution lacked economic grounding. The CIO wanted a stable input set to drive style-aware models and make outputs explainable to investors, leveraging data from a market leading, FCA regulated benchmark administrator with as strong footprint in digital assset benchmarking, on-chain data curation and research capabilities.

Solution. The firm sourced CF Benchmarks' Factor Intelligence dataset:

- **Factor Scores** – metrics such s protocol fee growth, daily active protocol users and token free-float supply data.
- **Factor Returns** – long/short portfolio returns formed by sorting assets by factor scores. These are the traditional Fama-French-style Factors, including Market, DownsideBeta, Value, Growth, Size and Liquidity.
- **Factor Loadings** – quantify asset-level exposure to each factor (regression model Betas).

They used these to develop cross-sectional models with long/short exposure to top-decile scores, time factor rotations, and construct multi-factor composites. They leveraged the Factor Scores selectively to build their own custom portfolios. Factor loadings were integrated into exposure controls to mitigate concentration.

Results. In Q1 2025, the factor based strategy outperformed the internal benchmark. Value and Momentum were the primary contributors. Loadings-based controls improved risk-adjusted returns.

Key Takeaways. The CF Factor Intelligence data suite brought structure and interpretability to the fund's existing alpha engine. It complemented existing inputs with stable, economically grounded data — bridging crypto-native alpha generation with institutional-grade risk modeling.

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